

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Promote Policy
and Program Coordination and Integration in
Electric Utility Resource Planning.

Rulemaking 04-04-003
(Filed April 1, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING
REQUESTING ADDITIONAL COMMENTS ON
RESOURCE ADEQUACY ISSUES**

Among other things, Decision (D.) 04-01-050 determined (1) that Load-Serving Entities (LSEs) should meet a reserve requirement of 15% to 17% no later than January 1, 2008 and (2) that utilities should forward contract 90% of their summer peaking needs a year in advance. (D.04-01-050, p. 11.)

In an April 28, 2004 letter to President Michael Peevey, Governor Schwarzenegger indicated that the "Commission's phase-in date [for resource adequacy] of 2008 is too slow." President Peevey's response, also dated April 28, concurred with the Governor's assessment and indicated that the phase-in "needs to be accelerated to ensure system reliability." The Joint Opening Statement of President Peevey and Commissioner John Geesman of the California Energy Commission at the April 30 prehearing conference indicated that "we will look closely not only at refinement of the existing requirements, but also their acceleration as requested by the Governor."

In addition to resolving issues raised by the Workshop Report on Resource Adequacy Issues, dated June 15, 2004, the Commission may address the proposed acceleration of the 15% to 17% reserve requirement in its upcoming decision on resource adequacy issues. This ruling therefore provides for comments on accelerating the phase-in of the full Planning Reserve Margin from January 1, 2008 to June 1, 2006.

In addition, parties are invited to comment on how the year-round 15%-17% reserve requirement and the seasonal 90% forward contracting requirement interact. Recognizing that D.04-01-050 requires clarification, the Commission intends to provide further guidance on: (1) when to fill-in the remaining 10% for reserves procured for the summer months, and (2) when LSEs must demonstrate the full 15-17% in the non-summer months. Specifically, parties should address the proposal to provide LSEs the flexibility to pursue economic purchases in energy markets, but require that they meet 100% of their resource adequacy obligations a month in advance. For the summer months, this provision would require LSEs to have procured 90% of the summer peaking needs one year ahead, with the 10% remaining resource adequacy obligation lined up one month ahead. For the non-summer months, the LSE must have lined up its full 15-17% reserve margin one month ahead.

FERC's recent order on the CAISO market design proposal maintained the real-time must-offer provision but it rejected the day-ahead must-offer proposal proposed by the ISO.¹ FERC did so based on the premise that a day-ahead must-offer would not be necessary if the LSEs are resource adequate. CPUC Resource

¹ See 107 FERC 61,274.

Adequacy requirements and ISO Market Design must work together. Thus, we request comments on whether future CPUC-approved contracts intended to comply with Resource Adequacy requirements should include terms and conditions requiring that resources secured to meet the LSE's resource adequacy requirement be available to LSEs to schedule in the day-ahead time frame.

The schedule for comments provided for herein will be coordinated with, but will differ slightly from, the current schedule for comments on resource adequacy issues.²

IT IS RULED that parties may file comments on the proposed acceleration of the phase-in of full resource adequacy from January 1, 2008 to June 1, 2006 and related resource adequacy issues discussed above. Comments are due July 22, 2004. Replies may be filed and are due July 29, 2004.

Dated July 8, 2004, at San Francisco, California.

MARK S. WETZELL by LTC

Mark S. Wetzell

² Pursuant to the Assigned Commissioner's Ruling and Scoping Memo issued on June 4, 2004, as modified by oral ruling of the Administrative Law Judge, comments on the June 15, 2004 Workshop Report on Resource Adequacy Issues are due July 13, 2004 and reply comments are due July 27, 2004. (See e-mail notice to the service list from by SDG&E attorney Lisa Urick dated June 23, 2004.)

Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Requesting Additional Comments on Resource Adequacy Issues on all parties of record in this proceeding or their attorneys of record.

Dated July 8, 2004, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.